



Nonprofit Publisher  
of Consumer Reports

September 23, 2005

Jennifer L. Johnson, Secretary  
Board of Governors  
Federal Reserve System  
20th and Constitution Ave., N.W.  
Washington, DC 20551

By email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
and by fax: 202-452-3819

Re: Docket No. R-1210, request to consider late-filed comment on the need to protect emergency benefits funds delivered on debit cards

Dear Ms. Johnson,

Consumers Union, the Consumer Federation of American, the National Consumer Law Center, and U.S. PIRG ask you to use the open rulemaking on stored value cards to apply the consumer protections of the Electronic Fund Transfer Act to debit cards used to deliver emergency disaster benefits, and other stored value cards containing significant household funds or marketed or used as account substitutes.

On October 28, 2004, sixteen consumer and community service organizations filed comments on the Federal Reserve Board's proposed rule on coverage of payroll cards by the Electronic Fund Transfer Act. We supported the proposed rule, and asked the Board to issue the rule covering payroll cards promptly, due to their rapid growth in the market for financial services for the unbanked. The October 28, 2004 consumer group comment letter further asked the Federal Reserve Board to expand the coverage of the EFTA to reach not only payroll cards, but also two other categories of stored value cards. Those two other categories were: 1) cards which are marketed or used as account substitutes, and 2) cards used to receive payments of significant household funds. That letter is posted at: <http://www.consumersunion.org/pdf/payroll1004.pdf>

The recent, though aborted, distribution of debit cards by FEMA for disaster assistance payments illustrates the importance of the Federal Reserve Board exercising its power to interpret the Electronic Fund Transfer Act to ensure that it covers cards used to receive payments of significant household funds. Although we have not seen the card agreement for the FEMA debit card, an emergency card which pulls from a pooled FEMA account should present the same EFTA coverage issues as a payroll card which pulls from an account held in the name of the employer.

While FEMA experienced problems with card distribution, the alternatives for consumers after card distribution was stopped will be difficult for many consumers. The key alternative offered is to apply online and have benefits sent directly to a bank account. To use that alternative, people will have to meet a series of conditions – having a bank account, having access to their bank account number information despite having perhaps left home without that information,

---

**West Coast Office**  
1535 Mission Street  
San Francisco, CA 94103  
415.431.6747 tel  
415.431.0906 fax  
[www.consumersunion.org](http://www.consumersunion.org)

and either having access to a secure online connection on a private computer or taking the identity theft risk of placing their bank account information on a shared computer available to other members of the general public. This series of preconditions illustrates the value of using a stored value debit card product in emergency circumstances, if the holders of that debit card can be assured of the same protections available to consumers who hold debit cards linked to individual bank accounts. The current open rulemaking on EFTA coverage for stored value cards gives the Federal Reserve Board the opportunity to provide those assurances.

Even the short period of FEMA card distribution resulted, according to press reports, in the issuance of over 10,000 of these cards with a total value of \$20.4 million. These key household funds should be protected from loss, theft, and unauthorized use. Equally importantly, clarifying EFTA protection for debit cards bearing emergency benefit payments or other funds significant to a household -- particularly for loss, theft, and unauthorized transactions -- will add to the viability of these cards as a way to deliver emergency benefits in future disasters.

We urge the Federal Reserve Board to finalize the rule clarifying that the EFTA applies to payroll cards as soon as possible. We also ask you to expand that proposed rule to clearly apply the consumer protections of the EFTA to other stored value cards which are marketed or used as account substitutes, and to stored value cards used to receive payments of significant household funds. The recent experience with the FEMA debit card illustrates the importance of this expansion in the proposed rule as a disaster readiness step.

Please consider this letter as a late-filed comment. The issues it raises could not have been raised before the extraordinary events of the past few weeks.

Very truly yours,

Gail Hillebrand  
Consumers Union

Jean Ann Fox  
Consumer Federation of America

Margot Saunders  
National Consumer Law Center

Ed Mierzwinsky  
U.S. PIRG